



Austin Energy Rate Review Update

Electric Utility Commission
July 18, 2011



Agenda

- Residential Rate Design
- Commercial and Industrial Rate Design
- Production Demand Allocation
- Policy Decisions
- EUC Rate Review Schedule



Residential Rate Design



Residential	Existing Rate	Preliminary Cost of Service	Draft Recommendation
Customer Charge (\$/month)	\$6.00	\$18.75	\$15.00
Electric Delivery (\$/month)	Inc. Below	\$14.26	\$10.00
Energy Charge (¢/kWh) – <i>Summer Period (June-September)</i>			
< 500 kWh	6.877 ¢	6.197 ¢	5 ¢
500 – 1000 kWh	11.147 ¢	6.197 ¢	9 ¢
1000 - 1500 kWh	11.147 ¢	6.197 ¢	12 ¢
1500 – 2500 kWh	11.147 ¢	6.197 ¢	13 ¢
> 2500 kWh	11.147 ¢	6.197 ¢	14 ¢
Energy Adjustment (¢/kWh)	Inc. Above	Inc. Above	-
Community Benefit (¢/kWh)	n/a	Inc. Above	
Customer Assistance Program	n/a	Inc. Above	.065 ¢
Service Area Street Lighting	n/a	Inc. Above	.1 ¢
Energy Efficiency Charge	n/a	Inc. Above	.3 ¢
Regulatory Charge (¢/kWh)	0.082 ¢	Inc. Above	.8 ¢



Residential Bill Impacts

Average Annual



Rate Tiers (kWh)	kWh/Month (Midpoint of Block)	% of Total per Block	Bill at Current Rates	Bill at Proposed Rate	Dollar Increase
0-500	250	31%	\$ 23	\$ 40	\$ 17
501-1000	750	33%	\$ 65	\$ 79	\$ 13
1001-1500	1250	18%	\$ 115	\$ 132	\$ 16
1501-2500	2000	13%	\$ 190	\$ 225	\$ 35
2501-4000	3250	4%	\$ 310	\$ 398	\$ 88



Commercial and Industrial (C&I) Rate Design



- Move C&I customer classes closer to cost of service
- Improve fixed cost recovery
- Improve pricing signals that promote energy efficiency
- Improve pricing transparency
- Provide funding for Customer Assistance Program
- Offer rate alternatives
- Protect the utility from uncontrollable events or circumstances by establishing pass through charges
- Ensure maintenance of bond credit quality



Proposed Changes to Commercial and Industrial Customer Classes

- Place customers into appropriate customer class based on electricity usage characteristics
- Develop demand charges for all commercial and industrial customers



Customer Profile Data (FY 2009) – Proposed New Customer Classes



Customer Class	Number of Meters	Average Class Energy (kWh/Cust.)	Average Demand KW per Customer	Average Monthly Load Factor	Meter Type	Service Voltage
Secondary <10kW	32,001	981	3	0.45	Demand	Secondary
Secondary 10 to <50kW	10,360	8,083	24	0.45	Demand	Secondary
Secondary ≥50kW	3,214	105,930	269	0.55	Demand	Secondary
Primary <3 MW	96	355,632	810	0.59	Interval Demand	Primary
Primary 3 MW to <20 MW	20	3,194,476	4,982	0.88	Interval Demand	Primary
Primary ≥20	4	20,167,593	29,829	0.93	Interval Demand	Primary
Transmission	3	Confidential	Confidential	Confidential	Interval Demand	Transmission



Proposed Change in Seasonal Period

- Current Summer Season: May - October
- New Summer Season: June – September
- Benefits
 - Better reflects observed seasonal system peaks
 - Sends stronger energy efficiency pricing signal
 - Aligns with other Texas utilities
 - Aligns with cost of service



Interpreting Preliminary Unit Cost of Service Results

Based on preliminary cost of service results:

- Not intended to represent actual rates that AE will propose to EUC and Council
- Results based on Baseload, Intermediate, and Peak (BIP) method as presented to Public Involvement Committee (PIC) for discussion
 - Does not represent final decision on proposed production demand cost allocation methodology



Preliminary Unit Cost of Service

(as presented to Public Involvement Committee)



Cost of Service	Secondary Service <10 kW	Secondary Service 10 - <50 kW	Secondary Service ≥ 50 kW	Primary Service <3 MW	Primary Service 3 - <20 MW	Primary Service ≥ 20 MW	Trans- mission	Expected Changes
Customer Charge (\$/month)	\$22	\$32	\$46	\$367	\$384	\$6,895	\$9,660	↓
Electric Delivery (\$/kW billed)	\$2.41	\$4.66	\$4.84	\$3.25	\$3.88	\$3.82	N/A	
Energy (¢/kWh)								↓
Summer	6.29¢	6.29¢	6.29¢	6.15¢	6.15¢	6.15¢	6.12¢	
Non-Summer	5.32¢	5.32¢	5.32¢	5.20¢	5.20¢	5.20¢	5.18¢	
Demand (\$/kW billed)								↑
Summer	\$11.57	\$10.60	\$11.44	\$11.58	\$13.41	\$13.69	\$11.80	
Non-Summer	\$2.94	\$2.70	\$2.96	\$3.18	\$3.92	\$4.03	\$3.63	



Commercial and Industrial Rate Strategies Under Consideration

- Re-structure and add pass-through mechanisms
 - Energy Adjustment
 - Regulatory Charge
 - Community Benefit Charge
 - Customer Assistance Program Discount
 - Service Area Street Lighting
 - Energy Efficiency Charge
- Offer multiple rate options to all C & I customers
 - GreenChoice®
 - Net Metering
 - Time-of-Use
 - Thermal Energy Storage
 - Standby



Preliminary Cost of Service

Customer Class	Average & Excess Demand (AED) cents/kWh	4 Coincident Peak cents/kWh	Baseload Intermediate Peaking cents/kWh	Average of 3 Methods cents/kWh	AED within Goal cents/kWh	Goal +/- 5%
Residential	12.06	11.90	11.35	11.77	11.46	95%
Secondary Service < 10 kW	11.5	11.59	11.42	11.50	10.93	95%
Secondary Service ≥ 10-50 kW	9.48	9.64	9.34	9.49	9.95	105%
Secondary Service ≥ 50 kW	8.33	8.47	8.57	8.46	8.75	105%
Primary Service < 3 MW	7.16	7.34	7.77	7.42	7.52	105%
Primary Service 3-20 MW	6.54	6.52	7.4	6.82	6.87	105%
Primary Service ≥ 20 MW	6.36	6.39	7.34	6.70	6.68	105%
Transmission Service	5.9	5.68	6.68	6.09	6.20	105%
Lighting	26.17	22.02	24.42	24.20	26.17	100%
Average	9.47	9.47	9.47	9.47	9.47	



Recommended Policy Guidelines

for 2011 Rate Review



Goal	Metrics
1. Re-align to Cost of Service	No customer class pays greater than 105 percent or less than 95 percent of its cost of service in the implemented new rates, with the condition that the utility meet its total revenue requirement through implemented rates with the exception of contract customers. Goal intended to minimize inter-class subsidization.
2. Provide Affordable Energy	<ul style="list-style-type: none">(a) No residential customer electric bill below 1,500 kWh would increase by more than \$20 a month on average.(b) Introduce and design rates to gradually transition non-demand secondary commercial customers to demand rates.(c) Expand and improve provision for Customer Assistance Program.
3. Meet Affordability Goal	Satisfy revenue requirements to the extent needed so that after the 2012 rate increase, system average rates should not increase more than 2 % annually as the Generation Plan is implemented (per Affordability Forecast).
4. Residential Rate Benchmarking	Demonstrate that residential bills are within the lowest 50% of comparable Texas utilities.
5. Compliance with all Financial Policies	Achieve revenue stabilization and financial integrity goals by meeting all Financial Policies and maintaining or improving credit ratings.

7/18/2011



EUC Meetings



Preliminary Discussion and Planning:

- August-Outstanding Issues and Organizational Discussion for EUC's Formal Review

EUC Rate Review:

- September 1—special meeting
 - AE's Rate Analysis & Recommendations Report
- September 19—regular meeting
- October 3—special meeting
- October 17—regular meeting